County of Los Angeles
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WILLIAM T FUJIOKA
Chief Executive Officer

March 21, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

IMPACT OF THE AFFORDABLE CARE ACT ON COUNTY EMPLOYEES

Since the passage of the Affordable Care Act in 2010, County staff has implemented aspects of the Affordable Care Act including:

- Dependent coverage changed to age 26 with no student requirements.
- Inclusion of Medical Loss Ratio restrictions on our carriers. (Carriers must spend at least 85 percent of premium on medical care and 15 percent or less on administration. Cigna failed this test last year and was required to refund premium to County employees.)
- Changes to the limits and plans design of the Medical Spending ccounts.
- Distribution of a Uniform Summary of Benefits Coverage.
- Medical premium reporting on 2012 tax year W-2 forms.

In 2014, new requirements of the Affordable Care Act will be enacted, including the "Pay or Play" employer mandate that requires all large employers to offer group health coverage that both is affordable and provides minimum value. This coverage must be offered to substantially all employees (95 percent of County employees) who work an average of at least 30 hours a week. In addition, the coverage offered must be "affordable," which generally means the employee's share of the cost for the lowest cost single coverage must be no more than 9.5 percent of W-2 Box 1 wages. The coverage offered must also provide "minimum value," meaning it must cover at least 60 percent of the actuarially projected cost of covered services.

If the County does not "play" by meeting these requirements, it must pay a tax. The tax for failing to cover at least 95 percent of the 30-hour-per-week workforce is $2,000 per year per employee for ALL full-time employees (provided at least one employee who is not offered coverage receives a premium tax credit for coverage under a government-run Exchange). This is a substantial penalty as it would be calculated with respect to the entire full-time workforce.

A separate tax applies when coverage is offered, but it either is not affordable or does not provide minimum value. That tax is $3,000 per year per employee who enrolls in an Exchange and obtains a premium tax credit due to the employer's failure to comply. This tax applies even if the employer provides affordable, minimum value coverage to 95 percent of the workforce, but one or more of the employees who are not offered coverage enroll in a government-run Exchange and obtain a premium tax credit. The premium tax credit is available only to individuals with household incomes of 100 percent to 400 percent of the federal poverty line (FPL). For 2013, the FPL in the continental United States is $11,490 for an individual and $23,550 for a family of four, and 400 percent of the FPL is $44,680 for an individual and $92,200 for a family of four. Because this tax applies only to employees who actually obtain a premium tax credit, it is likely to be a smaller amount than the tax for the failure to offer coverage to 95 percent of the full-time workforce.

While the County generally offers affordable, minimum value coverage to all those employees it considers as "full-time," there are nevertheless a few areas for concern. The County has certain groups of employees who are not currently covered by any County health benefit program, such as student workers and relief nurses, but who may work an average of 30 or more hours per week. Staff also is studying the effect of contract employees and the benefit status of those employees. In addition, some seasonal and other part-time employees sometimes work an average of 30 hours per week and, thus, the existing health benefit policies applicable to those individuals are being reviewed and may need to be modified to conform to recently issued regulations.

Given the potential that the County may need to cover additional employees, a task force is being created to explore the possibility of creating a medical plan offered through the County's Department of Health Services. The task force consists of representatives from the Chief Executive Office, Department of Health Services, and the Department of Human Resources. It is our hope that any additional medical benefits can be offered through our own Department of Health Services rather than an outside agency. And further, we hope this program can be marketed to other governmental jurisdictions that may be experiencing similar issues with the Affordable Care Act.

Should you have any questions or need additional information on this topic, please contact Maryanne Keehn of the Benefits, Compensation Policy, and Employee Relations Division at 213-974-0470 or mkeehn@ceo.lacounty.gov.

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c: Human Resources
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Mental Health
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